

# ***Alaska Forward***

## ***Toward a Next Generation Economy***



***October 15, 2010  
Phase Two Implementation***

### **Introduction**

The purpose of this document is to provide an overview of Alaska Forward's progress to date and outline actions for Phase Two and ultimately a plan for improving Alaska's economy. This document is the result of several months of collaboration. Most recently, a small group representing key partners in this effort, including the Office of the Governor, University of Alaska, Alaska State Chamber of Commerce, and the Alaska Partnership for Economic Development (APED) reached consensus on the preferred way forward. This document represents this consensus and is meant to guide the next actions in support of Alaska Forward. This document and action items will be updated periodically to reflect the dynamic nature of this ambitious effort.

### **Background**

"Alaska Forward: Toward a Next Generation Economy" (a.k.a. Alaska Forward) is a project initiated by the Alaska Partnership for Economic Development, a non-profit organization comprised of local and regional economic development entities from throughout Alaska. Alaska Forward has been primarily funded by the Denali Commission with additional financial assistance from the Alaska Department of Commerce, Community and Economic Development as well as in-kind contributions from the APED members, University of Alaska, State of Alaska and the Alaska State Chamber of Commerce. Alaska Forward is the result of collaboration amongst many partners, recognizing the critical role of local and regional economic development groups (represented by APED), academia (University of Alaska), government (Office of the Governor and the Alaska Department of Commerce Community and Economic Development, Office of Economic Development) and the private sector (Alaska State Chamber of Commerce). Other important constituencies in Alaska have been consulted and will be engaged in implementation.

A chronology of events that led us to this point in time is provided in Appendix A. In summary, upon receipt of funding from the Denali Commission in June, 2009, a team of experienced consultants (IHS Global Insights, Economic Competitiveness Group and McDowell Group) were hired to develop a Situational Analysis of Alaska's economy, referred to as Alaska Forward Phase One. This phase one document provides an overview of Alaska's economy, including the identification of economic clusters at statewide and regional levels. This Situational Analysis was finalized in February 2010 and released shortly thereafter, effectively completing Phase One of the effort. Alaska Forward Phase Two was conceived as a planning process to culminate in February 2011 with an Economic Development Action Plan.

Upon completion of Alaska Forward Phase One, discussions amongst partners intensified surrounding Phase Two activities. Funding for ongoing efforts was pursued and a financial commitment from the State of Alaska was obtained. In discussions with key partners, there was a sense of urgency among many to begin identifying actions engaging key stakeholders in addressing development challenges and a concern about an extended effort to produce a plan document as a prerequisite for taking more concrete actions. Assisted by an internationally recognized expert in regional competitiveness, a consensus was reached about a viable process to move the effort forward.

The purpose of an Economic Development Action Plan is to provide guidance to government, private sector, civil society organizations and individual residents, on rationale and actions for improving the overall economy of our state. We believe that we have an approach that will yield results in the near term, engage immediately and meaningfully key economic sectors, and result in actions that can be shared and implemented (and modified) by stakeholders. Rather than an Economic Development Strategy document for the State, Alaska Forward is a Strategic Economic Development Action Initiative. This is distinct from a fixed “Strategic Plan” which often means to many people just another document. As an ongoing initiative, the Alaska Forward Leadership Council will release an annual report card on the States’ economy, a progress report on the Cluster Working Groups and the Economic Foundations Working Group, and a “report card” on results in the legislature, at the university and within other relevant organizations. Alaska Forward, as an action initiative, puts the focus on the unique engagement of top leaders (private/public), working processes that bring them together and results, not on reports.

### **Desired Results**

The Alaska Forward initiative will support the creation of mechanisms that will encourage and support economic development throughout Alaska. The main tool to be employed is cluster working groups. The Alaska Forward Phase One report identified and categorized the key industry clusters in our state. Cluster working groups will include representatives primarily of the private sector involved in each cluster (both large firms that work also outside Alaska and smaller locally owned firms). Additionally, clusters will engage representatives from such groups as senior management of the industry, trade organizations, suppliers, organized labor, local and regional economic development groups, local, state, and federal agencies, University staff and faculty, relevant civil society agents, and Native corporations. These cluster working groups will be created and supported for key Alaska industries to the degree that resources and private industry engagement are available. These cluster groups will also be supported by a group that focuses on the following Economic Foundations: Human Resources, Technology, Access to Capital, Business Climate, Physical Infrastructure and Quality of Life & Social Capital.

In approximately one year, the following will exist:

- Shared Economic Vision in Alaska: Leadership in the public/private sector agree on the main challenges facing Alaska economic development and support the cluster development process as a key mechanism to promote growth.
- Leadership Council: A small group of high-profile Alaska leaders whose role is to motivate a broad spectrum of participation and provide guidance to the Alaska Forward initiative.
- 3 to 5 Cluster Working Groups: Each cluster group will engage from 20 to 40 individuals and meet on a regular (quarterly) basis.
- An Economic Foundations Working Group: This group supports initiatives developed by the Cluster Working Groups and advocates for reforms to improve the overall economic and entrepreneurial climate in Alaska.
- Alaska Economic Development Strategy: A strategic action document will be produced that is a summation of the plans of each Cluster Working Group including key elements of how to enhance Alaska’s economic development foundations.
- “Fast track” action initiatives: recommended actions identified by the Cluster Working Groups will be executed and results will be evident.

The following sections outline important Alaska Forward stages anticipated over the next 12 months to achieve the desired results. Key roles and responsibilities of the main parties involved are identified.

### **Public Awareness**

Alaska Forward awareness is important to its success. The likelihood of having an impact on the state's economy is directly linked to the number of companies, individuals, and other organizations actively involved in the development of the action plan and its implementation. Alaska Forward awareness began with the release of the Situational Analysis in late February 2010 and the first of several presentations provided to stakeholder groups. The Situational Analysis was placed on the APED website and subsequently linked to other websites and distributed via email to interested parties. Additionally, in March, many members of the Alaska Legislative delegation were given individual briefings and every member received a bound copy of the report. Reports were also distributed to every Commissioner, Deputy Commissioner the Governor's office and the Alaska Congressional delegation.

In late April, key stakeholders were targeted with presentations, including Cabinet officials and Legislative staff through a presentation at the Governor's office (transmitted via video conference to Anchorage and Fairbanks). A presentation was made at a Juneau State Chamber luncheon and to a statewide University working group on economic development. Also, further presentations were given to local APED member organizations. Ted Lyman, a consultant (Economic Competiveness Group) involved in the Phase One work, participated in several of these presentations. In May, Chris Hollings, IHS Global Insights consultant, and actively involved with Phase One made presentations in Anchorage at the Alaska State Chamber of Commerce legislative wrap-up, to APED members and to other key stakeholders.

It is expected that APED members as well as other key partners at the University, State and Chamber will begin delivering similar presentations to raise awareness of the Alaska Forward Initiative.

### **Additional Actions:**

- **Education and Outreach:** Raising awareness of the Alaska Forward initiative is an important task. Members of APED, its partners and consultants will continue to deliver presentations to educate interested persons on the state of Alaska's economy and raise awareness for Alaska Forward. (Ongoing)
- **Website Development:** An Alaska Forward website will be developed that provides information as well as a point of interaction with the public, including gathering of ideas and suggestions, as well as coordination of efforts. (November)
- **Promotional Materials:** An Alaska Forward brochure, a Cluster Development descriptive white paper, and CDs of the Situational Analysis will be developed to serve as collateral to the education and outreach effort. (November)
- **Events:** Alaska Forward will present its efforts through a series of town hall meetings and/or presentations at large events that bring Alaskans together. The intention is to initiate work on the Cluster Working Groups (November-February), share progress with the Legislature and other partners (January/February) and host a summit convening key Alaska Forward groups (April/May).

## **Leadership Council**

The Alaska Forward Leadership Council will be the public face of Phase Two. The Leadership Council will be a small, high-level group of Alaska leaders drawn from companies, institutions and organizations across the state. These leaders will command a high degree of respect by virtue of their position and visibility, and their primary roles will be to call others to action and to motivate a broad spectrum of participation at the cluster working group level. The Leadership Council will be business/industry led. The Leadership Council members will be passionate about addressing the state's economic challenges and motivated to bring resources to the effort.

Responsibilities of the Leadership Council include:

- Mobilize widespread understanding of the need for action and support for Alaska Forward.
- Advise on the selection of key industries to participate in the cluster development work.
- Recruit other industry leaders to actively participate in the cluster working groups.
- Advocate for the Alaska Forward Initiative financial and human resources needed for this initiative to be successful.
- Release an annual report card on the States' economy, a progress report on the Cluster Working Groups and the Economic Foundations Working Group, and a report card on Alaska Forward initiative results in the legislature, at the university and within other relevant organizations.

Leadership Council activities timeline:

- Recruitment meetings with candidates for Leadership Council (September)
- Initial Meeting and Orientation of Leadership Council (October)
- Recruitment of Cluster Working Group Members (October-December)
- Quarterly Leadership Council meetings (ongoing)

## **Cluster Working Groups (CWG)**

An estimated 40% of the employment in Alaska falls within the 11 primary clusters identified in the Alaska Forward Phase One - Situational Analysis. The remaining 60% of Alaska employment is heavily reliant on the primary clusters identified. Please see Appendix Two: Overview of Clusters for more information on cluster development.

Phase Two planners, guided by an internationally recognized expert in regional competitiveness, narrowed the Alaska Forward Phase One list of 11 drivers of the Alaska economy to a list of 8 clusters for initial CWG efforts, including one "emerging" cluster. Selections were based on cluster growth prospects and employment concentration, geographical reach and social/cultural considerations. (See Appendix Three for a discussion of the selection process.) The working list of CWG selected for the near term includes:

- Advanced Business Services
- Alternative Energy and Clean Energy
- Fishing and Seafood Processing
- Logistics and International Trade
- Mining
- Oil and Gas
- Specialized Machinery/Capital Goods
- Tourism

As a next step, a final selection consisting of 3 to 5 clusters needs to be identified. Experience from other regions has shown that a range of 3 to 5 CWG is manageable for initial startup. Further evaluation of these CWG will involve talking with leaders of the trade associations for each of the 8 regarding interest in participating in the Alaska Forward initiative, as well as talking with key leaders of each CWG to determine whether there is interest on the part of the leadership. It will also be important to ascertain whether trade associations or larger firms have resources to lend to the effort. Other factors that will lead to a successful CWG are a vision of leadership from private industry members and a sense of urgency within the cluster for change. On this basis, a judgment call will be made for each cluster on its “state of readiness” for formation of an active cluster working group, and the top 3 to 5 will be selected.

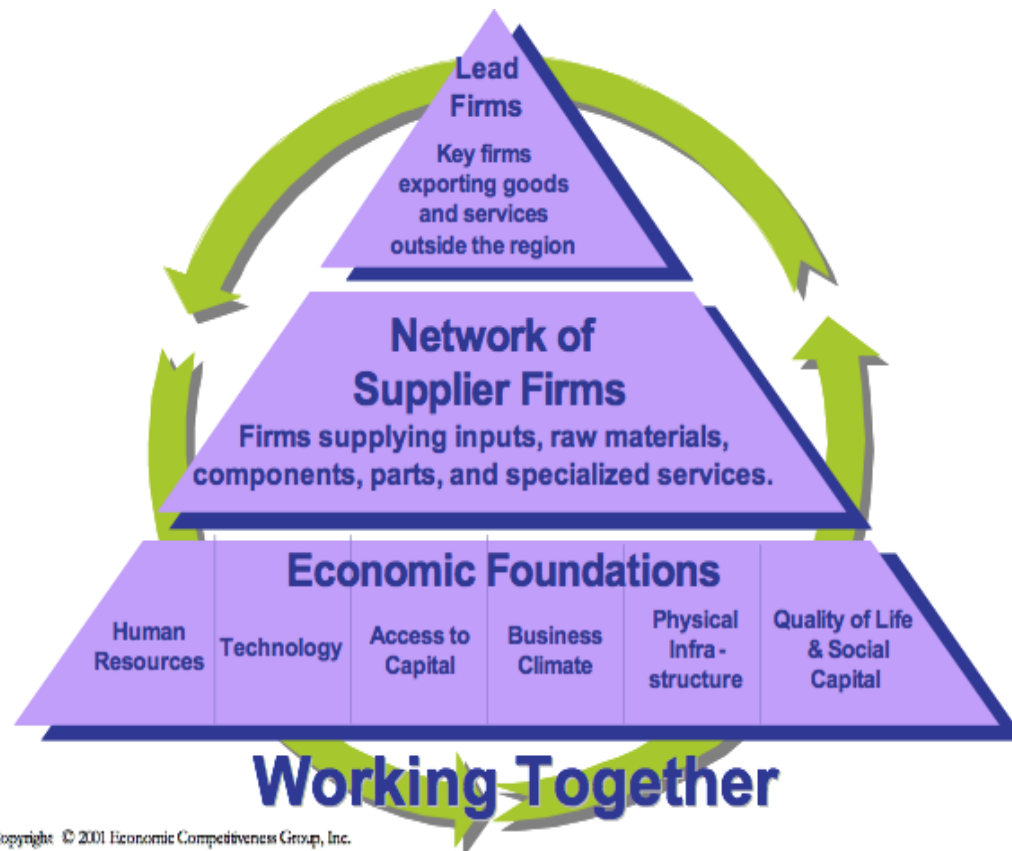
Next, the Leadership Council will recruit private/public co-chairs to lead each CWG. Co-chairs, in turn, will help recruit 20 to 40 CWG members representative of large firm senior managers, local firm owners, trade association leadership, state government representatives, economic development representatives, university staff or faculty, suppliers, Native corporations, and organized labor who will be briefed on their role to help coordinate and lead a 10- to 14-month long cluster development strategy effort.

Personnel will be engaged to help with the design and shaping of each CWG and provide training for the co-chairs. An administrative support person will be identified for each CWG to assist the co-chairs as well. This support can come from different sources, including trade associations, Alaska Forward partners, or outside consultants. The importance of adequate support must not be underemphasized, since large scale process activities like Alaska Forward suffer badly when administrative support is lacking. Understandably, busy business and government leaders do not have much patience for miscommunication, poorly planned meetings, poor scheduling, etc. If one CWG “blows up” due to administrative or other failures, all CWGs are affected. Experience shows that CWG process activities will require support in the following areas:

- Meeting planning (agendas, venues, scheduling, RSVP efforts, email and telephone communications, and follow-up after meetings).
- Development of meeting related documents (minutes, “think pieces” e.g., “shared vision statements/options,” critical issues statements, priority lists, cluster strategy statements/options, mini-business plans or “implementation strategy documents”).
- Development of PowerPoint and other collateral for presentations and to keep the public informed (e.g., Leadership Council).
- Assistance with technical issues. It is possible that a working group will require technical support (e.g., highway or communication imperatives, statute language, etc.). In these cases, having a technical expert on hand to answer questions will be important.

In the *Alaska Forward: Phase One Situation Analysis* report, the work of each CWG is described: *“The notion is that each cluster would generate a set of cluster-specific priorities aimed at addressing impediments to growth and development. Facilitated discussions would lead to a shared economic vision for each cluster as well as development of a number of policy initiatives, each designed to address an impediment to the cluster's growth. Each initiative would have its own business plan and an “implementation champion” (i.e., ownership) to help take the initiative forward. In addition, a limited number of cross-cutting initiatives and policy recommendations would also emerge from each cluster group, which would be integrated into the broader state-wide strategy.”*

The Diagram below illustrates the interrelationship of Lead Firms, Supplier Firms, and the basic economic foundations of an economy in industrial cluster development.



### Cluster Working Group process

Alaska Forward is designed to be an interactive process that brings top leaders from business, government, the university and the broader community together for facilitated discussions and consensus on actions needed to make Alaska more competitive. The process envisions a series of half-day meetings over a 12-month period, each an assemblage of leaders representing each cluster being addressed. Leaders will be drawn from business and public sector economic infrastructure providers that are key to the success of the cluster (e.g., the Tourism Cluster Working Group will include both private sector leaders from the tour companies as well as public sector leaders representing airports, and the state's tourism department, etc.).

While the Alaska Forward specific process is still being formulated, we envision a series of meetings with the following objectives:

*Meeting #1*—Alaska Forward Initiative introduction which includes findings and conclusions of the Situational Analysis and an identification of critical issues impeding the growth and development of the cluster.

*Meeting #2*—Discussion of the critical issues and formulation of interventions to the status quo in the form of new or revised public policies, institutional reform, new partnerships or other steps that could be taken in the state; the objective will be to identify specific interventions, perhaps 4-6, that will take advantage of opportunities or overcome obstacles and result in a more competitive economy.

“Champions” will be identified to take ownership of each of these action initiatives and, with a small working group, prepare a short “business plan” that describes the action initiative and the path forward.

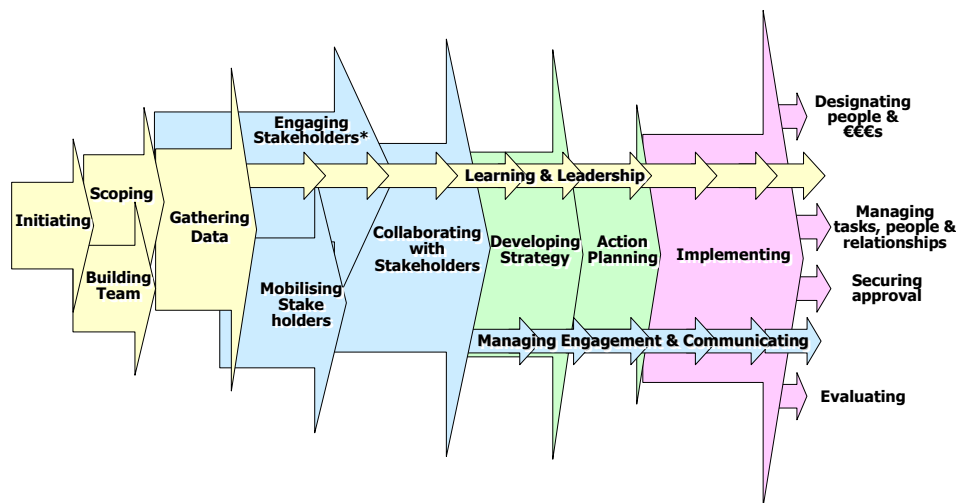
*Meeting #3*—Group discussion of each business plan, further improvements or interventions needed and agreement on the implementation strategy to move each action initiative forward. Decisions are made and the group will empower “champions” to take the lead (working with appropriate allies,) to move from discussion to direct action (e.g., in the legislature, in organizations, with new partnerships, etc.)

*Meeting #4 (depending on progress)*—Check-in; discuss implementation challenges, obstacles and other matters jeopardizing further progress toward goals. Re-think, re-invent, and/or re-energize the process as needed. At the last meeting, the aggregated action plan, consisting of the action steps for each initiative, will be approved by the group.

*Ongoing*—As desired by members of the Cluster Working Group, meetings will continue to enable the group to continue to address common issues that will enhance the success of their industry clusters.

In between each meeting, briefings will be given to the Leadership Council and others as needed, to keep the larger constituency for Alaska Forward apprised of process and progress. The diagram below demonstrates the dynamics of the cluster development process and illustrates how some activities are fairly discrete in time, while other activities are constantly being repeated throughout the process.

## The Cluster Development Process



Source: Scottish Enterprise based on direction from Michael Porter

Cluster Working Group formation timeline:

- Potential Cluster Working Group members contacted and briefed on project (September-December)
- Initial 3 to 5 Groups Selected (October-November)
- Initial CWG meetings (November-February)
- Quarterly CWG meetings (ongoing)

### **Economic Foundations Working Group**

The creation of an Economic Foundations Working Group is recommended to provide thought leadership and coordination regarding economic foundations. The concept of economic foundations refers to the underlying capacity of the state to sustain a competitive economy. Sometimes referred to as “economic infrastructure,” among the key elements are:

*Human Resources*—the institutional capacity to build and sustain an appropriately skilled and adaptable workforce.

*Technology*—the institutional capacity to create technologies and technical know-how related to the industrial clusters that drive the state’s economy. This capacity, generally to be developed within the University, can be of both the basic and applied kinds (basic science, applied research through commercialization.)

*Access to capital*—the institutional capacity to generate and provide financial capital to fuel industrial and other outputs of business and industry. Financial institutions can be both in the public sector as well as in the private sector. Financial capital should be available in the form of traditional debt financing as well as venture financing.

*Business climate*—the work of the state’s regulatory agencies to find the right balance between promotion of economic competitiveness while also regulating business to insure both economic and social development goals are achieved.

*Physical infrastructure*—commerce operates by, with and through the state’s built infrastructure--roads and highways, air and sea ports, telecommunications hardware and software, and the like. To the extent that the state’s infrastructure is specialized, it should be to meet to the specific needs of its industrial clusters and its people.

*Quality of life and social capital*—this element of economic infrastructure is difficult to describe and impossible to accurately quantify. However, it generally refers to the intangibles of access to opportunities for leisure time and recreational pursuits, to arts and culture—to enjoyment and happiness. Social capital often refers to community capacities—to the intangible “glue” that brings people together including for democratic problem-solving.

Cluster-based economic development recognizes that businesses need a solid foundation as in the areas above in order to be competitive. Alaska Forward will bring into the process activities designed to enhance the state’s economic foundations for the betterment of businesses and people.

The Economic Foundations Working Group will support the initiatives that emerge from the Cluster Working Groups. Additionally, this group will generate its own agenda to address the six key economic foundations for a competitive region mentioned above: Human Resources, Technology, Access to Capital, Business Climate, Physical Infrastructure, and Quality of Life & Social Capital. Improvements to each of these foundation elements will improve the opportunities for all Alaskans in the world economy as well as support the development of key industries. Initially, the State of Alaska Economic Development Subcabinet will serve as the Economic Foundations Working Group.

The Economic Foundations Working Group will also engage with representatives from business and trade groups, co-chairs of the cluster working groups and other relevant specialists. Related to Alaska



Forward, the Economic Foundations Working Group will work exclusively on issues that emerge from the Cluster Working Groups.

Economic Foundations Working Group activities timeline:

- Briefing provided to Economic Foundations Working Group by APED (December)
- Meet as issues arise from Cluster Working Groups (ongoing)

### **Support to Working Groups**

It will be imperative that coordination and consistent clear communication occur between the members of the Leadership Council, Cluster Working Groups, and the Economic Foundations Working Groups. It will be essential that administrative support and coordination come from one of the Alaska Forward partner groups. While many options exist, support from the State of Alaska Office of Economic Development will be sought. Engagement of the State of Alaska Office of Economic Development will also enable state employees with technical expertise in particular areas to be more readily engaged in the cluster working groups as needed.

Other Key Alaska Forward activities timeline:

- Bi-weekly teleconference updates with Partners (ongoing)
- Hiring of Project Coordinator/Consultant (October)
- Alaska Forward Summit (April/May)

## Budget and Fundraising

The Alaska Forward initiative will require focused and ongoing human and financial resources. The State of Alaska will contribute staff time from their Office of Economic Development, as well as other select staff. Further, APED members, University personnel and Chamber staff will continue to contribute in-kind effort. Nonetheless, additional financial and human resources will be necessary for this effort to be successful.

It is expected that private sector firms in each industry cluster will make financial contributions to this effort. The Prosperity Partnership effort in the Puget Sound, for example, required about \$90,000 per Cluster Working Group (per year). The Alaska Forward initiative is committed to moving forward with cluster development utilizing resources currently available (Denali Commission balance of resources and State Budget allocation) while fundraising with private enterprise, foundations and donor agencies is pursued.

### Phase II Estimated Operating Budget: Cluster Formation to Economic Summit (October 2010-December 2011)

Below is an estimate of costs associated with direct support to the Cluster Working Groups. In addition to these costs, there are costs to support the Economic Foundations Working Group, the Leadership Council, and general Alaska Forward initiative marketing, administration and coordination efforts.

Description	Number	Unit Cost	Sub-total
<b>Coordination</b>			
Project Coordinator	15	6000	\$90,000
Technical Consultant	200	200	\$40,000
<i>subtotal</i>			<i>\$130,000</i>
<b>Events</b>			
Cluster Meetings	12	6,000	\$72,000
Summit	1	20,000	\$20,000
<i>subtotal</i>			<i>\$92,000</i>
<b>Misc</b>			
PR/Printing/Web		15,000	\$15,000
Outreach	12	1,000	\$12,000
Administration/Other		8,000	\$8,000
Capacity Building	4	4,000	\$16,000
<i>subtotal</i>			<i>\$51,000</i>
<b>Direct Costs</b>			<b>\$273,000</b>

## **Roles of key partners (support structure for Alaska Forward)**

### **Industry Cluster Support**

Each cluster group will require administrative support for tasks like agenda development and distribution, meeting set up, phone calls, minutes, follow-up tasks and research, etc. depending on co-chairs and the composition of the cluster group, these tasks could be accomplished without cost to the project by the following approaches:

- Development specialist from Office of Economic Development
- Administration staff support from private sector participants
- Trade organization
- ARDOR representative
- University of Alaska administrative support staff
- VISTA

### **APED**

The Alaska Partnership for Economic Development has a leading role in the execution of this initiative and to date played a key role in procurement and administration of several grants that initiated the Alaska Forward initiative. APED will continue to actively coordinate the Alaska Forward Initiative and seek partner input throughout all activities. APED members will actively disseminate information regarding this initiative and, as appropriate, members of APED (local and regional economic development organizations) will participate on Cluster Working Groups and the initiatives of the Economic Foundations Working Group. APED will designate a Coordinator for the Alaska Forward Initiative.

### **University**

The University of Alaska system is committed to assist others through the Alaska Forward initiative in developing a strategic action plan for advancing Alaska into today's knowledge based economy. University staff, faculty and leadership can be engaged to support the education, research, knowledge transfer, thought leadership, and community engagement needs of this initiative. The level and duration of support provided through the University of Alaska system will be managed on a case by case basis and will be dependent on resource availability (both human and financial).

### **Chamber**

The State Chamber of Commerce will encourage member organizations and business community leaders to engage actively in this process, through public awareness events at their local chamber organizations as well as participation of business members in the Cluster Working Groups. The State Chamber will coordinate their own Advocacy initiatives with those that emerge from the Cluster Working Groups. As resources permit, the State Chamber will assist in identifying financial and human resources for the ongoing support of this initiative.

### **State Government**

The State of Alaska has committed support to Alaska Forward through a combination of direct financial contributions; staff support from various entities including the Office of the Governor and Department of Commerce, Community and Economic Development; and involvement of the Economic Development Subcabinet.

## **Appendix ONE: Chronology of Alaska Forward, February 2009 to October 2010**

February 27, 2009	Alaska Partnership for Economic Development (APED) submits application to Denali Commission for Alaska Forward project.
June, 2009	APED establishes an advisory committee for the Alaska Comprehensive Development Strategy, later to become Alaska Forward initiative. Advisory committee members are non-voting members who's role is to assist APED to develop a process for the successful completion of a statewide Economic Development Plan and Implementation Strategy. Provide essential input to and provide oversight of the entire process ensuring it is meeting its stated goals and objectives.
August 1, 2009	RFP Issued for Alaska Forward project Phase One
August 26, 2009	Contract approved: IHS Global Insight, Economic Competitiveness Group and McDowell Group
September 7, 2009	Contracts signed and work began on Alaska Forward Project Phase One
September 22, 2009	IHS Global Insights establishes protocols for a weekly teleconference call to allow APED members, the APED advisory members and the APED consultants an opportunity to meet and discuss situational analysis progress weekly.
October 2, 2009	APED Executive Committee begins project coordinator recruitment. The project coordinator will take on responsibility for overall project coordination and assurance of fundraising for Phase Two.
October 13, 2009	Ron Miller is recruited to project coordinator position.
October 2009	APED and Alaska Forward website and Facebook pages created. <a href="http://www.alaskapartnership.org">www.alaskapartnership.org</a> and <a href="http://www.facebook.com/pages/Alaska-Forward-Initiative/341667435382">http://www.facebook.com/pages/Alaska-Forward-Initiative/341667435382</a>
October 28, 2009	IHS Global Insights makes Alaska Forward presentation at the AK State Chamber Legislative Tie-in meeting.
November, 2009	APED consultants begin distribution of web based survey and personal interviews of contacts identified through APED and the advisory group.
November 17, 2009	APED distributes electronic newsletter.
November 17, 2009	APED consultants make a presentation to Mat-su groups.

November 19, 2009	APED consultants make a presentation at the Alaska Municipal League and the Resource Development Council annual meetings and meet with UAA faculty and staff members.
November 20, 2009	APED consultants make presentations in Fairbanks and meet with UAF faculty and staff as well as local EDO organizations.
December 4, 2009	APED presentation to Alaska House of Representatives, Commerce, Community and Regional Affairs Committee, Anchorage.
December 14, 2009	Phase One – Situational Analysis “Draft” reports distributed.
December 15, 2009	APED Board Meeting with update on Phase One.
December 17, 2009	APED distributes electronic newsletter.
December, 2009	APED begins soliciting membership from non-ARDOR organizations.
January 6, 2010	APED President holds a meeting with representatives from the University Economic Development task force, and the Governor’s Office to discuss collaborating on the delivery of a summit to roll out Phase One and launch into Phase Two of Alaska Forward.
January 7-8, 2010	APED members and the APED advisory group participate in two-day workshop to review the situational analysis draft report and provide written and verbal edits to the consulting team. The consulting team and APED lay out a plan for transition from Phase One to Phase Two.
January 8, 2010	APED executive members meet with State Chamber Business Advocacy Committee members
January 13, 2010	Meeting with Puget Sound Regional Council & Prosperity Partnership to discuss transition and strategies from Phase One to Phase Two.
January 18, 2010	Alaska Forward Phase One draft report delivered to APED and advisory group.
January 18, 2010	APED distributes electronic newsletter.
January 19, 2010	APED Executive Committee holds a meeting to discuss Phase One distribution and plan for Phase Two.
February 3, 2010	APED meeting to plan strategies and implementation tasks for Phase Two.
February 5, 2010	APED presentation at the Southwest Alaska Municipal Conference annual meeting.
February 10, 2010	Meeting with the Governor to provide Phase One briefing and outline strategies and plan for Phase Two.

February 10, 2010	APED Annual Meeting and election of officers.
February 11, 2010	Planning session held to outline strategies and steps for moving to Phase Two.
February 15, 2010	Alaska Forward Phase One Final report complete.
March 1-5, 2010	Debrief and Distribute Phase One report to APED members.
March 8-12, 2010	Distribute Situational Analysis and educate sister organizations.
March 22, 2010	Legislative Engagement/Media engagement campaign. Visit with various Legislators in their offices in Juneau. Distribution of the Phase One Situational Analysis to each Legislator, Commissioner, Deputy Commissioner, Governor's Office, Congressional Delegation and other state leaders.
April 21-23, 2010	Planning Session for Phase Two implementation plan with representatives of APED, State Chamber, University, Governor's Office and external consultant.
May 4-5, 2010	Presentation at State Chamber of Commerce Legislative Wrap-up by Phase One external consultant. Discussion of next steps with members of APED and other stakeholders.
May, 2010	Drafting of Phase Two implementation plan.
June 11, 2010	Alaska Forward implementation plan complete.
June 14-18, 2010	Presentations to APED members and key partners in Anchorage and Fairbanks regarding the Alaska Forward initiative. Several industry and government representatives receive presentations, as well as several leaders with statewide influence and perspective.
July-October, 2010	Alaska Forward presentations to various audiences throughout the state. Recruitment of Leadership Council members, potential Cluster Working Group members, and Alaska Forward project implementation project coordinator.
September, 2010	Grant Agreement with State of Alaska of \$100,000 to support Alaska Forward implementation.
October 15, 2010	First meeting of the Alaska Forward Leadership Council.

## Appendix TWO: Overview of Clusters

In February 2010 the *Alaska Forward: Phase One Situation Analysis* report was released. This report provides an overview of Alaska's economy for the specific purpose of identification of "economic clusters" at both the statewide level and at regional levels as a tool to guide economic development strategies.

As explained in the report<sup>1</sup>:

Clusters are geographically concentrated cooperation networks of interdependent firms, research and development institutions, and other intermediary actors (such as universities, economic or regional development agencies, chambers, etc.), where the close contacts of the members and the continuous, fast knowledge exchange between them contribute to the competitive increase of both the members and the whole region. Industry clustering is a powerful framework for regional economic development because it captures economic relationships among specific industry sub-sectors, and it provides a set of tools to help define economic development strategies.

In a cluster, firms and others within a concentrated geographical area are cooperating toward common goals, and establishing close linkages and working alliances to improve their collective competitiveness. An active clustering agenda facilitates the integration of what would otherwise be a clump of co-located firms and organizations into a high performance system. Optimization is at a system, rather than individual organization level. An active local cluster includes firms and support organizations working together to achieve results that would not be possible individually.

A key component of any high performance cluster is extensive informal and formal networking between firms—even competitors—across the cluster, and between firms and their supporting infrastructure. Soft networks (such as local professional and trade associations) and hard networks (strategic alliances between firms) are both important, and their development is supported by a local culture that enables both competition and cooperation to thrive. Active clustering is "co-opetition," a combination of competition and cooperation that is more sophisticated than most notions of rivalry within an industry, and more appropriately captures the nuances of company interactions within a region.

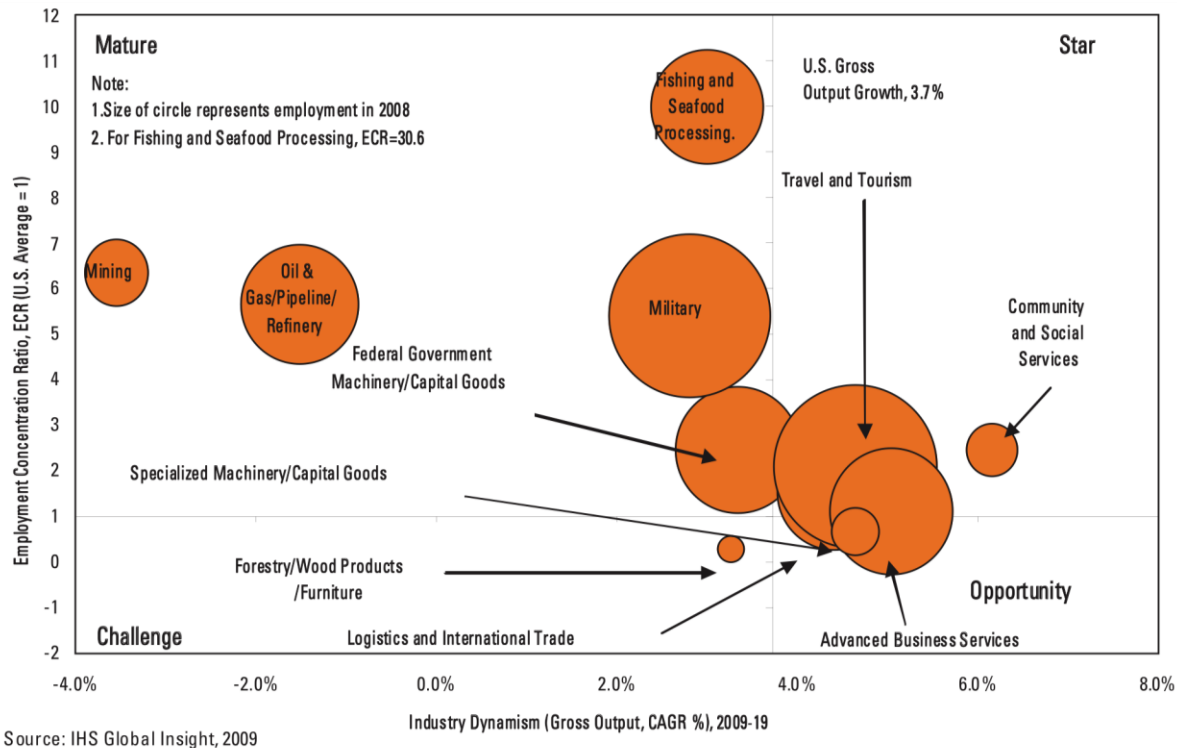
Namely, an "economic cluster" is a set of firms in the same or related field, who are linked by service or supplier relationships, common customers or other relationships, and complement one another but also compete with one another. Cluster firms share reliance on regional knowledge and on the regional labor market. They may use similar technologies and/or serve similar markets. In advanced form, they may collaborate through a regional trade association to lobby for or market the cluster as a whole. In a geographic region where cooperative relationships have not been identified or established, cluster development effectively promotes economic integration and cohesion through the cooperative efforts of State and local governments, educational institutions, and the private and non-profit sectors for the economic benefit of the entire cluster and the region as a whole.

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<sup>1</sup> Alaska Forward: Phase 1 Situation Analysis, page 89.

The Situational Analysis Phase One report identifies and categorizes the key industry clusters within Alaska. IHS Global Insight and its partners began with the iterative analysis of detailed sector data, including employment, wages, productivity and sales. A proprietary Business Market Insight (BMI) database and the U.S. Census' County Business Patterns database together formed the key data sources, but specialized company databases were also used. The team identified 11 established clusters in Alaska. Classified by cluster segmentation based on competitive market position and market growth prospects, they are:

**Figure 41. Alaska's Clusters**



**Star clusters (higher than average employment concentration in Alaska, in growing markets)**

- Tourism
- Logistics and International Trade
- Community and Social Services
- Advanced Business Services

**Opportunity Clusters (lower employment concentration than average, but in growing markets)**

- Specialized Machinery/Capital Goods

**Mature Clusters (higher employment than average, but in slower growing markets)**

- Fishing and Seafood Processing
- Oil and Gas Extraction/Pipeline/Refinery
- Military
- Mining
- Federal Government

**Challenge Clusters (low employment concentration and in slow growth markets)**

- Forestry and Wood Processing



Again as explained in the Situation Analysis report<sup>2</sup>:

Star Clusters represent the key areas of focus for Alaska. These clusters represent businesses in which the region has some capability, but also ones that will experience above-average growth over the next decade. Clusters in this quadrant have been competitive in markets that continue to hold good future prospects. The region should continue to emphasize these clusters as key sectors for development.

Opportunity Clusters tend to face above-average national demand growth, but have not yet achieved significant mass in a region. Clusters in this quadrant would benefit from a recruitment and enterprise formation process that would harness existing demand, leading to the creation of new jobs in a region.

Mature Clusters are the basis of the region's historical strengths, but they are facing slow-growing markets. Although these clusters have strong capabilities in the region, the low market attractiveness means that they can maintain the status-quo, downsize, or transform their focus into new markets. These clusters are assets in a region's portfolio and require a great deal of investment to achieve a desired level of growth. There has long been extensive employment and specialization in these clusters, but they have had difficulties in competing with other regions and face uncertain global markets. These clusters probably have the greatest need for undertaking collaborative cluster initiatives that will help them understand market requirements, improve production capabilities, enhance worker productivity, and innovate in marketing and distribution.

Challenge Clusters have some strength in the region, but they are not a dominant capability compared to other regions. In addition, the traditional markets for these clusters are growing much slower than average. Here, the strategic focus should be on catching opportunities that might emerge in the region, such as "spin-offs" from existing companies, or a special case where a firm has "discovered" the region and wants to locate here. Within these clusters, expensive marketing and recruitment programs are not likely to pay off.

These cluster working groups will include representatives primarily of the private sector involved in each cluster, including both large firms that work also outside Alaska and smaller locally owned firms. Additionally, clusters will engage representatives from such groups as senior management of the industry, trade organizations, suppliers, organized labor, local and regional economic development groups, state agencies (and federal or local, as needed), University staff and faculty, relevant civil society agents and Native corporations. These cluster working groups will be created and supported for key industries in Alaska's economy (as identified in the Situational Analysis) to the degree that resources and private industry engagement are available.

**Examples of the types of issues that Cluster Working Groups might address in the Alaska Forward initiative include:**

- Human resource improvements: new, or changes in, vocational training offerings in the state, off campus sites for skill training, shared financing of skill training with private sector, etc.

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<sup>2</sup> Alaska Forward: Phase 1 Situation Analysis, pages 94-100.

- Technology: revised policies at UA re technology commercialization (support to professors to disclose patentable innovations, with rewards for patents).
- Financial Capital: non-traditional sources of capital (angel investor clubs, venture forums).
- Business climate: modifications of specific regulations, rules to make industry more competitive (permit streamlining, etc.).
- Quality of life: enhancements to local arts/culture scene (unique arts festivals).

## **Appendix THREE: Initial Cluster Selection**

Alaska Forward Phase One identified 11 clusters as the drivers of the state's economy. These 11 sets of industries and supporting public sector institutions account for 40% of the state's employment. The remaining 60% of jobs are dependent on the economic health of the 11 clusters. Accordingly, Alaska Forward will focus its attention on these "engines" of the state's economy.

For the purposes of the Cluster Working Group (CWG) process, we cannot take on all 11 clusters with the 3-4 meeting process envisioned. Instead, we need to make a rational selection of those clusters that will be organized into CWGs for early attention, with the idea that over the next few months and years we will implement the same processes for all 11 clusters. We believe that we will have the resources to begin the cluster working group process with 3-5 clusters.

### **Selecting Clusters for Early Action**

To recap, the Alaska Forward initiative is about actions that can be taken within the public and private sectors of the state to grow and develop the economy's economic engines. In purely practical terms, state-level actions are not likely to have significant impact on the growth and development of certain clusters. For example, the actions of leaders purely within the state are somewhat limited regarding their major impact on decisions to grow or develop either the Federal Government Cluster, or the Military Cluster, both largely influenced by Federal policy (Note: AMFAST, Alaska Military Force Advocacy and Structure Team, is an ongoing initiative that is designed to accomplish much of what we would expect to accomplish with a Cluster Working Group). These clusters might be left for other kinds of efforts, for example WDC lobbying. Other clusters are more about non-profit activities than for-profit, private sector, net income-generating activities in Alaska. Thus, we might want to set aside for the time being the Community and Social Services cluster. Moreover, in the context of scarce resources, we might choose to not focus at this time on Forestry and Wood Processing, a challenge cluster without large potential for near and mid-term job creation. It might be left for later efforts.

Oil and gas is a huge industry in Alaska with top leadership located outside the state. It is an industry that is driven and shaped by global markets, national regulatory and environmental constraints, etc. There may be too little "policy space" for Alaska Forward to have significant impact on this sector. If selected, this Cluster represents a unique set of challenges.

This leaves us with the clusters that have the kind of development characteristics highly suitable for cluster-based economic development and for which Alaska Forward can have a reasonable probability of influencing their growth and development.

### **Further Selection**

The Logistics and International Trade Cluster serves local markets in Alaska and well as external markets. As local suppliers, it is likely that leaders of this cluster will find themselves included in all CWGs as participants, as suppliers to the clusters we choose for the early CWG efforts. In this way, the Logistics cluster will still be involved in our efforts even if we choose to wait until later to form a CWG and to implement a full Logistics and International Trade CWG process. We should not forget that the Situation Analysis identified a number of "seed clusters," identifiable sets of specialized firms exporting their goods or services as do the 11 more fully development clusters, but with employment too small to show up in the data.

Thinking strategically, we should consider bringing into this process at least one identified “seed” cluster. Among them is Alternative Energy and Clean-energy (bio fuels, clean coal/coal gasification, etc.). This cluster will have energy leaders so will bring in some of the oil/gas-related organizations we call “economic foundation” providers in our cluster concept. It should be considered for inclusion in our early CWG process.

This leads us to a near-final list of 8 clusters for our CWG efforts in the near term. It includes:

1. Tourism
2. Logistics and International Trade
3. Advanced Business Services
4. Specialized Machinery/Capital Goods
5. Fishing and Seafood Processing
6. Mining
7. Oil & Gas
8. Alternative Energy

### **Final Selection**

While Alaska Forward may raise the funding needed to take on eight clusters at the outset, it is felt that eight clusters, each with two co-chairs and up to 30 participants, all needing “care and feeding” is still too large a bite and trying to handle the complexity of 3-4 meetings all over the state for 8 groups might risk failure simply from too much process. How to get down to a more manageable set of 3-5 clusters will require some careful thinking. One way to do so would be to talk with the leaders of the trade associations for each of the 8 on our working list above. Ask about their interest in participating in Alaska Forward. Determine whether there is interest on the part of key leaders, on whether the association or larger firms would have resources to lend to the effort. On this basis, make a judgment call on each of the 8 clusters above and their “state of readiness” for the initiative we have in mind.

This analysis combined with a better handle on the funding available for this effort should be sufficient to narrow the list to the 3 to 5 clusters that Lyman, consultant, feels is the target number where there will be enough work going on to give visibility to the effort and have some meaningful results in, say 12-14 months, and not risk too much process and the likelihood that the effort fails because too much was attempted too quickly. Remember—all clusters deserve attention. Prosperity Partnership in Seattle took on 5 clusters at the outset (a tremendous work effort, but successful) and then moved on to take on 2 more within a couple of years and is likely to eventually take on all 15 clusters identified in their situation analysis.